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FM AMEMBASSY KHARTOUM
TO SECSTATE WASHDC PRIORITY 9285

UNCLAS KHARTOUM 001838

SIPDIS

DEPT FOR AF/SPG, AF/EPS, EB/IFD, AND EB/ESC
DEPT PLS PASS USAID FOR AFR, AND ALSO PASS USAID

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E.O. 12958: N/A

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SUBJECT: IMF RESIDENT DISMISSES EFFECT OF U.S. SANCTIONS AND
CONVERSION TO EURO

¶1. (SBU) SUMMARY: In a November 20 meeting with PolChief and EconOff, the resident representative of the International Monetary Fund in Sudan, Wabel Abdallah labeled the Central Bank of Sudan's decision to convert its reserves to the euro as unrealistic, dismissed the effect of U.S. sanctions on the Sudanese economy, and described the 2008 budget for the Government of National Unity (GNU) as the first transparent budget ever in Sudan. Abdallah also acknowledged the influence of government parastatals on the Sudanese economy. END SUMMARY.

¶2. (SBU) Abdallah was dismissive of the Central Bank of Sudan's plan to convert all dollar reserves into euros by the end of 2007. He noted that a very large percentage of direct foreign investment into Sudan comes from the Arab Gulf states. He stated that these Arab investors receive oil revenue in dollars, have grown accustomed to the ease and universality of the dollar, and that it is unlikely they will abandon it in international transactions.

¶3. (SBU) Abdallah stated that U.S. sanctions no longer have an impact on the Sudanese economy. He stated that the government and private sector have grown accustomed to doing business in this environment and that they have found alternatives and ways around the sanctions. He noted that Sudanese are not afraid of further U.S. actions, but worry about European countries imposing their own sanctions, as they have come to rely upon European investment, businesses, and services. He noted widespread corruption, in particular in the South, as a major challenge facing Sudan.

¶4. (SBU) Abdallah recently served as an advisor and consultant for the 2008 budget for the Government of National Unity. He said that the budget will meet international standards and will offer an unprecedented level of transparency in Sudan. Abdallah added that another advisor from the IMF will soon arrive in Juba to provide similar budget assistance to the Government of South Sudan.

¶5. (SBU) Abdallah said that many Sudanese government ministries operate with a significant degree of financial autonomy and maintain their own independent sources of income. He cited the Sudanese Ministry of Foreign Affairs (MFA) as an example, claiming that the MFA is currently constructing a new office building without any direct budgetary support from the Ministry of Finance or the GNU. He also acknowledged the widespread influence of government parastatals on Sudan's economy. He stated that the profits from semi-private businesses benefit individuals loyal to the regime and/or provide an alternative source of funding for government ministries.

¶6. (SBU) Bio Note: Abdallah was born in Lebanon, and as the son of an Ambassador lived in many different countries, including Iran, during his childhood. While earning his PhD at Columbia University, Abdallah worked at the United Nations in New York. He has worked at the International Monetary Fund for the last ten years. He is married and his wife and children reside in Virginia.

